STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

SECURITY NATIONAL LIFE INSURANCE COMPANY

of

Salt Lake City, Utah

as of

December 31, 2005

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SALUTATION

January 20, 2007

Honorable Alfred W. Gross, Commissioner Chair, Financial Condition (E) Committee, NAIC State Corporation Commission Bureau of Insurance Commonwealth of Virginia PO Box 1157 Richmond, Virginia 23218	Honorable Ann Womer Benjamin, Director Secretary, Midwestern Zone Ohio Department of Insurance 2100 Stella Court Columbus, Ohio 43215-1067
Honorable Joseph Torti, III, Superintendent Secretary, Northeastern Zone Rhode Island Insurance Division Dept. of Business Regulation 233 Richmond Street, Suite 233 Providence, Rhode Island 02903-4233	Honorable Eleanor Kitzman, Director Secretary, Southeastern Zone South Carolina Dept. of Insurance PO Box 100105 Columbia, South Carolina 29202-3105
Honorable Kent Michie, Commissioner Secretary, Western Zone Utah Department of Insurance State Office Building, Room 3110 Salt Lake City, Utah 84114-1201	

Commissioner:

Pursuant to your instructions and in compliance with Utah Code Annotated (U.C.A.) Title 31A, an examination was conducted as of December 31, 2005 of the financial condition and business affairs of

SECURITY NATIONAL LIFE INSURANCE COMPANY
Salt Lake City, Utah

hereinafter referred to in this report as (the Company or Security National Life), and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

The current examination covers the period from January 1, 2002, through December 31, 2005, including any material transactions and/or events occurring subsequent to the examination date noted during the course of the examination.

Certificates of representation attesting to the Company's ownership of all assets and to the nonexistence of unrecorded liabilities were signed by and received from the Company's management at the initiation and conclusion of the examination.

Examination Procedure Employed

The examination utilized a Top-Down, Risk-Focused Examination approach following the guidance in the June 30, 2006 draft version on Risk-Focused Examinations of the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook, while using the core examination procedures of the 2006 NAIC Financial Condition Examiners Handbook.

As part of the Risk-Focused Examination process, examiners spent the first portion of the examination reviewing information about the Company's organizational structure, business approach, and control environment to develop the examination approach that would most closely fit the Company. It was determined that a functional activity approach would be most appropriate. Based upon the review, the following functional areas were developed for the examination approach:

Functional Area	**Sub Functions**
Management	Governance, Management Reporting, Human Resources, Planning and Budgeting, Financial Reporting and Legal and Inter-company
Investments	Valuation (by type), Purchases and Sales Accounting, Compliance and Ownership.
New Business	Sales and Marketing.
Internal Administration	Underwriting, policyholder's service and claims administration, Systems & IT.
Reinsurance	Assumed Reinsurance, Ceded Reinsurance.
Reserves	Direct, Assumed and Ceded.

The examiners then determined the applicable risks in each of the functional areas and used the information gathered from the Company; interviews conducted with the senior management team; work performed by the internal auditor and external auditor work papers to evaluate how these risks have been addressed. When the examiners determined the work conducted by the internal auditor, external auditor and/or examiner was sufficient to address and mitigate the identified risks in each functional area, no additional testing was conducted. In functional areas where an identified risk was either not addressed or not sufficiently addressed additional testing was performed.

The examiners relied on an analysis of the reported aggregate reserve for life and accident and health contracts; deposit-type contracts and contract claims reserves report prepared by the Department's contracted actuarial consulting firm, Taylor-Walker & Associates, Inc. The examiners tested the completeness of the records provided to the firm and the accuracy of the underlying data used to establish reserve amounts.

A letter of representation certifying that management has disclosed all significant matters and records was obtained from management and is included in the examination working papers.

Status of Prior Examination Findings

The previous examination was performed by the Utah Insurance Department as of December 31, 2001. The Company has addressed items of significance noted in the prior examination report summary.

HISTORY

General

The Company was organized on January 31, 1967, as Tower Life and Accident Insurance Company, an Illinois corporation. The Company changed its domicile to the State of Florida on August 29, 1989. On January 1, 1990, the Company merged with its insurance subsidiary, Capital Investors Life Insurance Company, and subsequently changed its name to Capital Investors Life Insurance Company.

In December of 1994, the Company changed its domicile from Florida to Utah and adopted new articles of re-domestication and new bylaws as part of the re-domestication process. These documents were filed with and approved by the Department on December 28, 1994. On December 29, 1994, the Company was issued a Utah Certificate of Authority to transact life, annuity and disability insurance.

The Company became a part of Security National Financial Corporation holding company system in December of 1994, when it was acquired from Suncoast Financial Corporation. Security National Financial Corporation was originally created as S.N.L. Financial Corporation in October 9, 1979 reorganization.

In August of 1987, S.N.L. Financial Corporation registered its stock under Section 12(g) of the Securities Exchange Act of 1934 and completed a public offering of its common stock. In December of 1990, S.N.L. Financial Corporation changed its name to Security National Financial Corporation.

In December of 1995, the Company merged with Security National Life Insurance Company, a Utah domiciled insurer, and Civil Service Employees Life Insurance Company, a California domiciled insurer, with the Company being the surviving corporation. Then in March 1996, the Department approved articles of amendment to the articles of re-domestication to change the Company's name to Security National Life Insurance Company.

In 2004, Article IV- Capital Stock of the Articles of Incorporation was amended so that the par value of both common and preferred stock shall be $200.00 per share. Article VI – Board of Directors and Article VII – Address and Registered Agent were added. The by-laws were amended in 2002.

Subsequently, Article IV- Capital Stock was amended so that the par value of both common and preferred stock shall be $170.00 per share. The amendment was approved by the Utah Insurance Department on November 8, 2006.

As of December 31, 2005, the Company's authorized lines of insurance were life, annuity and disability.

Capital Stock

In its 2005 Annual Statement, the Company reported it was authorized to issue 10,000 shares of preferred stock with a par value of $200.00 per share and 50,000 shares of common stock with a par value of $170 per share. As of December 31, 2005, no preferred stock was issued. Fifteen thousand shares of common stock were issued and outstanding for total capital stock of $2,550,000. As of December 31, 2005, Security National Financial Corporation, held all of the Company's outstanding common stock. The Articles of Incorporation were erroneously amended in 2004 to change the par value of both the common and preferred stock to $200 per share. Subsequently, in 2006, the articles of incorporation have been be amended to correct the error in the par value of the common stock.

Dividends to Stockholders

On January 2, 2002, the Company paid a cash dividend of $1,481,687 to Security National Financial Corporation. No other dividends were declared or paid during the examination period.

Dividend from Affiliate

If approved by the Louisiana Department of Insurance, Security National Life of Louisiana intends to pay a cash dividend to Company in the amount of $137,204, which represents the balance of the policyholders' surplus account of Security National Life of Louisiana. In connection with this dividend the Company will make a capital contribution to Security National Life of Louisiana in the amount of $137,204. This capital contribution was not disapproved by the Utah Department on 11/24/06.

Management

The bylaws of the Company indicated the number of directors may not be less than three. The following persons served as directors of the Company as of December 31, 2005:

Name	**Principal Occupation**
Charles Lee Crittenden Ogden, Utah	Retired
Robert Gail Hunter Sandy, Utah	Physician
Howard Craig Moody Sandy, Utah	Owner Moody & Associates
George Robert Quist, Sr. Salt Lake City, Utah	Chairman and Chief Executive Officer Security National Financial Corporation
Scott Milton Quist Sandy, Utah	President Security National Financial Corporation
Norman Gilbert Wilbur Plano, Texas	Executive Director Dallas Area Habitat for Humanity
Jack Lynn Beckstead, Jr. Alpine, Utah	President Security National Mortgage Company

The Company's bylaws provide for principal officers to consist of a President, one or more Vice Presidents, a Secretary and a Treasurer. The officers of the Company as of December 31, 2005, were as follows:

Principal Officer	Office
George Robert Quist, Sr.	Chief Executive Officer
Scott Milton Quist	President
Stephen McEntire Sill	Vice President, Chief Financial Officer and Treasurer
Diana Carroll Olson	Vice President and Controller
Christie Quist Overbaugh	Vice President Internal Operations
Ronald James Dowden	Vice President Rental Properties
George Robert Quist, Jr.	Vice President and Secretary
Jason Gary Overbaugh	Vice President and Assistant Secretary
John Wayne Van Valkenburg	Vice President Product Development

The members of the Company's audit committee as of December 31, 2005 were as follows:

Audit Committee Members
Charles Lee Crittenden
Howard Craig Moody
Norman Gilbert Wilbur

Conflict of Interest Procedure

During the period covered by the examination, directors and officers of the Company completed conflict of interest statements annually.

Corporate Records

The records generated for and during the period covered by the examination were reviewed. The records consisted of the minutes of the meetings of the board of directors, shareholder and committees.

The last meeting of the board of directors was held on December 12, 2005, and the board approved the minutes of that meeting on March 3, 2006. The Utah Insurance Department examination report as of December 31, 2001, dated September 23, 2003 was distributed to the board on October 27, 2003.

Acquisitions, Mergers, Disposals, Dissolutions, and Purchases or Sales through Reinsurance

Memorial Insurance Company of America

On December 29, 2005, Security National Life and Southern Security Life Insurance Company (Southern Security Life) completed a stock purchase transaction with Memorial Insurance Company of America; an Arkansas domiciled insurance company (Memorial Insurance Company), to purchase all of the outstanding shares of common stock of Memorial Insurance Company. Under the terms of the transaction, the shareholders of Memorial Insurance Company received a total purchase consideration of $13,500,000 for all of the outstanding common shares of Memorial Insurance Company, with each shareholder having received a pro rata share of the total amount of the purchase consideration based upon the number of shares such shareholder owns.

The shareholders of Memorial Insurance Company received payment for their shares by means of distributions, with Security National Life and Southern Security Life simultaneously contributing sufficient capital and surplus to Memorial Insurance Company to maintain its status as an admitted insurer in good standing in the state of Arkansas. The transaction was treated, for federal and state tax purposes, as a part sale, part redemption of the Memorial Insurance Company stock. At the closing of the transaction, the shareholders of Memorial Insurance Company sold all of their shares of Memorial Insurance Company stock to Southern Security Life, such shares representing all of the issued and outstanding stock of Memorial Insurance Company. As a result, Memorial Insurance Company became a wholly owned subsidiary of Southern Security Life.

As of December 31, 2005, Memorial Insurance Company had 116,116 policies in force and approximately 50 agents. For the year ended December 31, 2005, Memorial Insurance Company had revenues of $3,659,000 and net income of $837,000. As of December 31, 2005, the assets and the capital and surplus of Memorial Insurance Company were $65,909,000 and $2,505,000, respectively.

Under the terms of the transaction, as set forth in the Stock Purchase Agreement dated September 23, 2005 among Security National Life, Southern Security Life, and Memorial Insurance Company, the shareholders agree, where applicable following the closing of the transaction, to maintain any existing policies from Memorial Insurance Company that were previously sold through such shareholders' funeral and mortuary businesses and to avoid replacing any of such policies with the policies of other insurance companies. The shareholders further agree to use their reasonable best efforts to support the business and operations of Memorial Insurance Company, including, where applicable, to maintain a business relationship with Memorial Insurance Company to the extent such a business relationship existed prior to such closing.

Moreover, Security National Life and Southern Security Life agree, pursuant to the terms of the Stock Purchase Agreement, to maintain the corporate offices of

Memorial Insurance Company at its current location in Blytheville, Arkansas. Furthermore, Security National Life and Southern Security Life agree to use their best efforts, following the closing of the transaction, to assist Memorial Insurance Company in retaining the sales agents and brokers in its business and operations. The obligations to complete the transaction were contingent upon approval of the transaction by the Arkansas Insurance Department. A hearing was held on December 9, 2005 with the Commissioner of the Arkansas Insurance Department to consider the request to approve the transaction, and the Commissioner issued an order dated December 21, 2005 approving the transaction.

At the closing of the transaction, Security National Life and Memorial Insurance Company entered into a reinsurance agreement to reinsure the majority of the in force business of Memorial Insurance Company to Security National Life, as reinsurer, to the extent permitted by the Arkansas Insurance Department. The assets and liabilities to be reinsured under the reinsurance agreement were deposited into a trust account, in which Zions First National Bank agrees to act as trustee. Under the terms of the reinsurance agreement, in the event of the insolvency of Security National Life, Zions First National Bank agrees to hold the assets and liabilities in trust for purposes of the administration of the assets and liabilities with respect to such insolvency.

As a result of the execution of the reinsurance agreement, certain insurance business and operations of Memorial Insurance Company have been transferred to Security National Life, including all policies in force as of the effective date thereof, except for certain policies to be retained by Memorial Insurance Company. Any future insurance business by Memorial Insurance Company will be covered by this reinsurance agreement. All of the business and operations of Memorial Insurance Company were transferred to Security National Life under the terms of the reinsurance agreement, except for capital and surplus of approximately $1,000,000. Thus, $30,025,777 in assets and liabilities was transferred from Memorial Insurance Company to Security National Life pursuant to the reinsurance agreement.

At the closing of the stock purchase transaction, Memorial Insurance Company issued a $30,025,777 note to Security National Life payable, together with accrued interest, within 30 days from the date of issuance. The note is to be repaid in cash or in assets to be transferred to Security National Life. The assets owned by Memorial Insurance Company secure the note. In addition, Southern Security Life contributed $2,200,000 in cash to Memorial Insurance Company at closing in consideration for the surplus note. Memorial Insurance Company repaid the note and surplus note in early 2006.

On December 31, 2005, Memorial Insurance Company entered into a reinsurance agreement with Security National Life for certain accident and health insurance policies of Security National Life. Under the terms of the reinsurance agreement, Memorial Insurance Company assumed 100% of the liabilities of these policies. In addition, pursuant to the agreement, Security National Life transferred $96,345 in statutory reserves and assets to Memorial Insurance Company as of December 31, 2005. There was no additional consideration paid for these policies under the agreement.

Southern Security Life Insurance Company

On January 1, 2005, Security National Life and SSLIC Holding Company, a wholly owned subsidiary of Security National Life, completed a merger transaction with Southern Security Life. Under the terms of the merger and pursuant to the Agreement and Plan of Reorganization, dated August 25, 2004, including the amendment thereto dated December 27, 2004, SSLIC Holding Company was merged with and into Southern Security Life, which resulted in (i) Southern Security Life becoming a wholly owned subsidiary of Security National Life, and (ii) the unaffiliated stockholders of Southern Security Life, holding an aggregate of 490,816 shares of common stock, becoming entitled to receive $3.84 in cash for each issued and outstanding share of their common stock of Southern Security Life, or an aggregate of $1,884,733.

As a result of the merger, the separate existence of SSLIC Holding Company ceased, as Southern Security Life became the surviving corporation of the merger. Southern Security Life continues to be governed by the laws of the state of Florida, and its separate corporate existence and operations continue unaffected by the merger. In addition, as a result of the merger, Security National Life owns all of the issued and outstanding common shares of Southern Security Life.

The purpose of the merger was to terminate the registration of the common stock of Southern Security Life under the Securities Exchange Act of 1934 (by reducing the number of its stockholders of record to fewer than 300 stockholders) and the National Association of Securities Dealers Automated Quotation (Nasdaq) listing of the common stock, reduce expenses associated with such registration and listing, and provide the stockholders an opportunity to sell their shares in an illiquid trading market without incurring brokerage commissions. As a result of becoming a non-reporting company, Southern Security Life is no longer required to file periodic reports with the Securities and Exchange Commission (SEC), including among other things, annual reports on Form 10-K and quarterly reports on Form 10-Q, and is no longer subject to the SEC's proxy rules. In addition, its common stock is no longer eligible for trading on the Nasdaq SmallCap Market.

On December 31, 2005, Southern Security Life and Security National Life entered into a reinsurance agreement to reinsure the remaining in force business of Southern Security Life to Security National Life to the extent permitted by the Florida Office of Insurance Regulation. The assets and liabilities reinsured under the reinsurance agreement will be deposited into a trust account, in which Zions First National Bank agrees to act as trustee. Under the terms of the reinsurance agreement, in the event of the insolvency of Security National Life, Zions First National Bank will hold the assets and liabilities in trust for purposes of administration of the assets and liabilities with respect to such insolvency.

The Florida Office of Insurance Regulation approved the reinsurance agreement on December 28, 2005. As a result of the execution of the reinsurance agreement, all of the insurance business and operations of Southern Security Life were transferred to Security National Life, as reinsurer, as of December 31, 2005, the effective date of the agreement. Any future insurance business by Southern Security Life will be covered by this reinsurance agreement. All of the insurance business and operations of Southern Security Life, including its assets and liabilities, were transferred to Security National Life under the terms of the reinsurance agreement, except for $3,500,000 in capital and surplus that Southern Security Life will continue to hold in order to remain qualified as a life insurance company for federal income tax purposes. Thus, approximately $48,528,000 in assets and liabilities were transferred from Southern Security Life to Security National Life pursuant to the reinsurance agreement.

In addition, on December 31, 2005, Southern Security Life declared a dividend to Security National Life in the amount of $7,181,000. Following the payment of the dividend, the remaining capital and surplus of Southern Security Life will be $3,500,000, which is a sufficient amount in order for Southern Security Life to maintain its status as an admitted insurer in good standing in the state of Florida. On December 28, 2005, the Florida Office of Insurance Regulation approved the request by Security National Life Insurance Company and Southern Security Life for the dividend payment.

Security National Life anticipates that Southern Security Life will either be sold to an unrelated business entity or merged with Security National Life during fiscal year 2006. On December 12, 2005, a plan of liquidation was approved by the Board of Directors of the Company in anticipation of such sale or merger. The Company expects the sale or merger to be completed prior to December 31, 2006.

Security National Life Insurance Company of Louisiana, formerly Paramount Security Life Insurance Company

On March 16, 2004, Security National Life completed the purchase of all the outstanding common stock of Paramount Security Life Insurance Company, now known as Security National Life Insurance Company of Louisiana (Security National Life of Louisiana); a Louisiana domiciled insurance company located in Shreveport, Louisiana. As of December 31, 2003, Security National Life of Louisiana had 9,383 policies in force and 29 agents. There were no material changes to the number of policies in force or the number of agents between December 31, 2003 and March 16, 2004. The total purchase consideration was $4,398,000 and the transaction was effective on January 26, 2004.

Security National Life of Louisiana is licensed in the state of Louisiana and is permitted to appoint agents who do not have a full life insurance license. These agents are limited to selling small life insurance policies in the final expense market. The Company anticipates that with this license it will be able to expand its operations in Louisiana. The Company is servicing the policyholders of Security National Life of Louisiana out of its Jackson, Mississippi office and has closed the Shreveport office.

Acadian Life Insurance Company

On December 23, 2002, the Company completed an asset purchase transaction with Acadian Life Insurance Company, a Louisiana domiciled life insurance Company, in which it acquired from Acadian $75,000,000 in assets and $75,000,000 in insurance reserves through its wholly owned subsidiary, Security National Life, a Utah domiciled life insurance company. The acquired assets consist primarily of approximately 275,000 funeral insurance policies in force in the state of Mississippi. Acadian originally acquired the assets from Gulf National Life Insurance Company on June 6, 2001, consisting of all the insurance policies of Gulf National Life Insurance Company in force and in effect on June 1, 2001.

Surplus Debentures

The Company had a $2,000,000 surplus debenture outstanding. The debenture was originally issued in connection with a loan agreement between Suncoast Financial Corporation and the Company, dated January 30, 1989. The debenture cannot be repaid without the prior approval of the Commissioner of Insurance of the state of Florida; or if the payment would reduce the Company's surplus below $2,000,000.

The Company also had a $1,000,000 surplus debenture outstanding. The debenture was originally issued to Southern Security Life and was acquired by Security National Financial Corporation in December 1998. Consolidare Enterprises, Inc. issued the debenture, dated December 7, 1988, in connection with a cash contribution to Southern Security Life. The debenture cannot be returned and/or repaid without the prior approval of the Florida Department of Insurance, or if the payment would reduce Southern Security Life's surplus below $1,750,000.

In consideration for the assignment of the Southern Security Life surplus note from Security National Financial Corporation to the Company, the Company executed a surplus note with Security National Financial Corporation effective December 31, 2000.

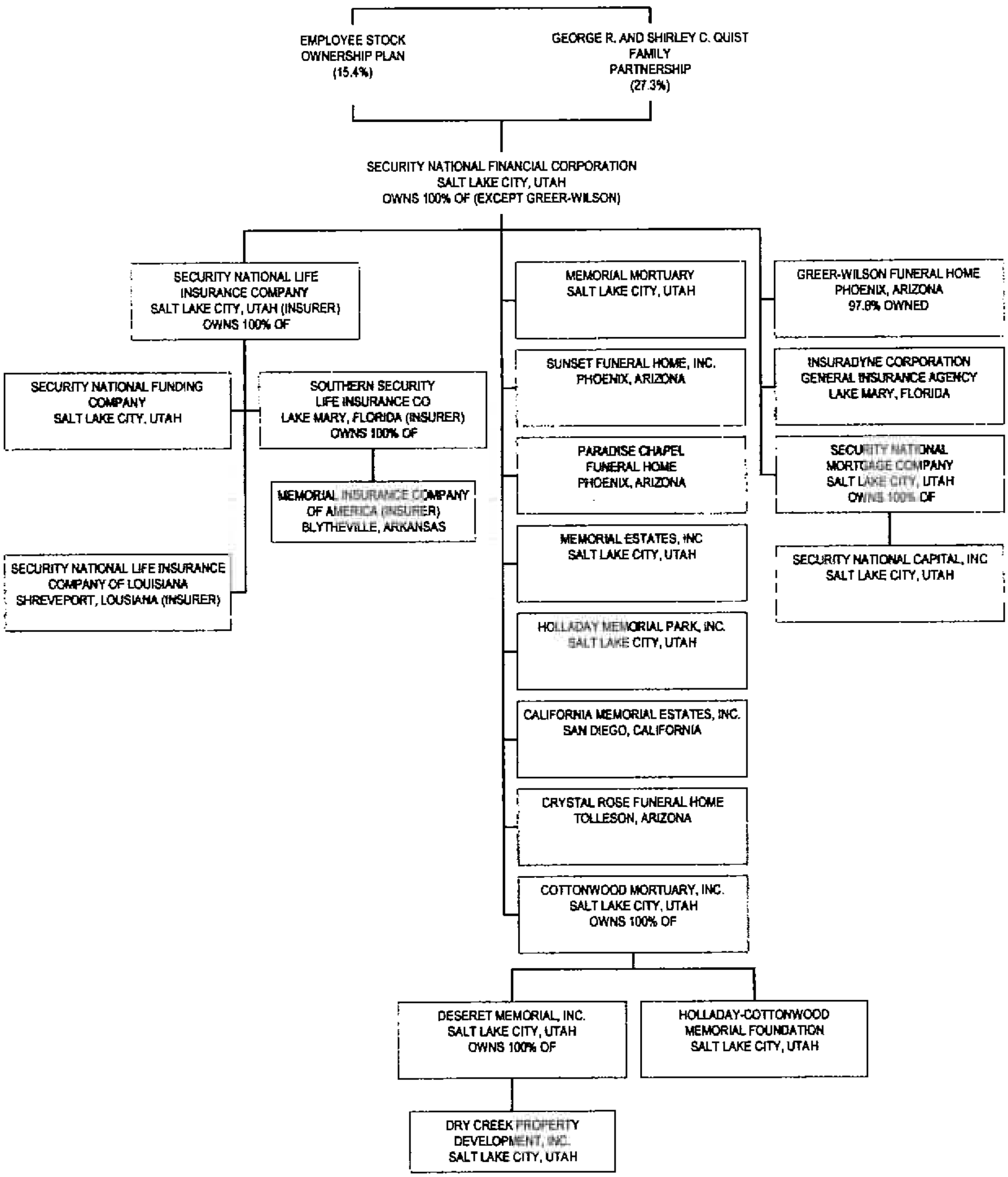
The Company also has a surplus debenture for $4,400,000 that was issued on December 31, 2003. There is not a stated maturity date and the outstanding balance value is at the unpaid balance. The interest rate is prime plus 1%. This surplus debenture was issued to Security National Mortgage Company, an affiliate of the Company.

Each of the substituted surplus debentures specify that payment of principal and interest may be made only with the prior written consent of the Utah Insurance Commissioner and only if the total capital and surplus of the Company, after such payment, equals or exceeds the Company's Authorized Control Level Risk Based Capital.

As of December 31, 2005, the Company's outstanding balance on the surplus debentures was $2,000,000, $1,000,000 and $4,400,000, respectively.

AFFILIATED COMPANIES

The Company is wholly owned and controlled by Security National Financial Corporation. An organizational chart illustrating the holding Company system follows:



Transactions with Affiliates

On June 1, 1991, the former Security National Life Insurance Company entered into a Management/Service Agreement with Security National Financial Corporation. Under the agreement, Security National Financial Corporation provided investment and marketing services to the Company for $35,000 per month. The agreement required Security National Financial Corporation's subsidiaries to market exclusively the Company's products with the marketing costs to be borne by Security National Financial Corporation.

Since the 1995 merger, Security National Financial Corporation has provided the Company with computer software to administer its business for a fee of $9,700 per month.

Effective December 17, 1998, the Company entered into an allocation agreement with Security National Financial Corporation to allocate costs incurred pursuant to an administrative services agreement between Security National Financial Corporation and Southern Security Life. Under the administrative services agreement, Security National Financial Corporation agreed to provide Southern Security Life with certain defined administrative and financial services including accounting services, financial reports and statements, actuarial, policyholder services, underwriting, data processing, legal, building management, market advisory services and investment services in return for a monthly fee of $250,000.

Under the allocation agreement, Security National Financial Corporation agreed to compensate the Company for any administrative and financial services that it provided to Southern Security Life under the administrative services agreement based on a method to be mutually agreed upon by Security National Financial Corporation and the Company. The method is required to include reimbursement to the Company for its direct costs in providing such services, plus an allocation for overhead.

Pursuant to a real estate contract of sale entered into in 1984 by the former Security National Life Insurance Company with Memorial Estates Inc., the Company owned real estate with a December 31, 2005, book value of approximately $2,700,000.

In 1993, the Company and Security National Mortgage Company entered into a "Loan Funding Fee Agreement" wherein residential mortgage loans originated by Security National Mortgage Company are assigned to the Company and the Company funds and becomes the owner.

During 1994 and 1995, the Company entered into mortgage loan participation agreements with several of its affiliates. These agreements permitted the affiliates to participate in the gains and losses of the Company's commercial mortgage loans. On February 10, 1997, the Company entered into an investment pooling agreement with several of its affiliates. These agreements gave the Company the exclusive right to choose the assets and to alter the terms, conditions or agreements pertaining to the investments held in the pool.

As of the examination date, Security National Financial Corporation pledged the Company's stock as security for approximately $6,138,000 in bank loans. The Company and Security National Financial Corporation jointly maintained a $2,000,000 line of credit with a bank, none of which was encumbered as of December 31, 2005.

The Company executed an agreement for the exchange of services, effective February 16, 1999, with Security National Financial Corporation. The exchange of services allows the Company agents to utilize Paradise Chapel office space located in Arizona. In exchange, the Company allows Paradise Chapel the use of its vacant land as parking. Their respective exchanged services are $2,000 per month.

As of the examination date, the Company's annual statement included the following assets resulting from affiliate transactions (excluding investment income due & accrued):

		Annual Statement
Asset		**Admitted Value**
Common Stocks	Parent	$ 147,473
	Subsidiary	6,212,631
Real Estate	Contract of Sale – Affiliates	2,719,829
		$9,079,933

FIDELITY BOND AND OTHER INSURANCE

The minimum fidelity coverage suggested by the National Association of Insurance Commissioners (NAIC) for an insurer of the Company's size and premium volume is not less than $800,000. At the examination date, the Company had coverage in effect subject to a single loss limit of $1,000,000 and a single loss deductible of $50,000.

At the examination date, the Company was also a named insured under policies providing protection against loss from property and liability risks.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

As of the examination date, the Company's pension stock ownership and insurance plans consisted of participation in programs initiated by Security National Financial Corporation for its employees and the employees of its subsidiaries. The insurance plans consisted of group medical and group term life. The benefit plans included a noncontributory employee stock ownership plan, a stock incentive plan, and a 401(k) savings and profit sharing plan. A provision was made in the financial statement for company obligations under such plans.

STATUTORY DEPOSITS

Pursuant to U.C.A. § 31A-2-206, the Company is required to maintain a statutory deposit equal to its minimum permanent surplus of $550,000. The examination confirmed the Company maintained a statutory deposit consisting of bonds with a market value of $2,206,960 and a par value of $2,000,000, which was adequate to cover the required deposit of $550,000.

INSURANCE PRODUCTS AND RELATED PRACTICES

Policy Forms and Underwriting

As of December 31, 2005, the Company's core business consisted of policies written by the former Security National Life Insurance Company. A significant portion of these policies was marketed as a means to fund funeral and interment related costs. As of the examination date, the following policies were issued:

Limited Pay Plans
Whole Life Paid up at 100
Single Premium Immediate Annuity
Flexible Premium Retirement Annuity

The whole life plan and the limited play plans had maximum death benefits of $5,000 for increasing benefit plans and $10,000 for level benefit plans. Additional benefits available under the policies included a $100 per $1,000 of initial face amount, if death occurred more than 100 miles from the deceased's legal residence and an additional accidental death benefit equal to the face amount, if the accidental death occurred within ten years from the issued date. If the insured's death occurred while a passenger on or in a common carrier within ten years from the issued date, an additional benefit equal to twice the face amount was paid.

The Company also issued variations of these policy forms that reduce death benefits if death occurs in the first three years of coverage. The Company retained 100% of the policy risks under these policies.

Medical examinations were not required for the limited pay and whole life policies issued by the Company unless information in the application or inspection reports indicated a substandard risk.

The maximum face benefit under these policies was $10,000 per life. The Company also issued a limited coverage, group "Water Sports Accident Insurance" policy. It covers insureds injured in any activity in a natural body of water for pleasure or sport up to a maximum of $60,000.

The policy forms issued during the examination period were consistent with Department approved forms. The Company's risk retention limit was $45,000 per life with a corridor for an additional $5,000.

Territory and Plan of Operation

As of December 31, 2005, the Company was licensed in the following states:

Alaska	Idaho	Minnesota	Oregon
Arizona	Illinois	Mississippi	South Carolina
Arkansas	Indiana	Missouri	South Dakota
California	Iowa	Montana	Tennessee
Colorado	Kansas	Nebraska	Texas
Delaware	Kentucky	Nevada	Utah
District of Columbia	Louisiana	New Mexico	Virginia
Florida	Maryland	North Dakota	Wisconsin
Hawaii	Michigan	Oklahoma	Wyoming

The Company's agency force consisted of approximately 711 agents. Most of the Company's active agents produced in the states of Utah, Arizona, Oklahoma, Kansas, Louisiana, Mississippi and Texas.

Advertising and Sales Material

Sales materials used were primarily direct mail and point of sale brochures and flyers. These materials were distributed to consumers through general agencies, agents, and funeral homes.

Treatment of Policyholders

As of the period covered by the examination, the examiners encountered no items of concern regarding treatment of policyholders. In addition, the Company maintains control over policyholder complaints.

REINSURANCE

Assumed

Effective June 30, 1999, the Company assumed from Menlo Life Insurance Company (MLIC) a 100% share of all MLIC in force life policies. The risks that were assumed consisted mainly of whole life with some term and accident and health policies. Reinsurance in force and reserves under this treaty at the examination date were approximately $3.7 million and $2.3 million, respectively.

Effective June 30, 1991, the Company assumed from Crown Life Insurance Company a 100% coinsurance share of certain in force risks under policies originally issued by Kennesaw Life and Accident Insurance Company of Atlanta, Georgia. Kennesaw Life and Accident Insurance Company was subsequently renamed Old Colony Life Insurance Company.

In 1994, Mid-West National Life Insurance Company of Tennessee and The MEGA Life and Health Insurance Company, subsidiaries of United Insurance Companies, Inc. (a Delaware Holding Company), acquired the policies of Crown Life Insurance Company and issued assumption certificates to the former Kennesaw Life and Accident policyholders. The Company agreed to the substitution of companies in amendments to the 1991 treaty with Crown Life and to the custodial agreement required under the treaty provisions.

Although assumed through a fronting arrangement, the business was serviced directly by the Company. The ceding companies received a fronting fee of 1% of premiums received. Reinsurance in force and reserves under this treaty, at the examination date were approximately $14.7 million and $6 million, respectively. The treaty required a trust fund equal to the outstanding reserves and liabilities under the treaty.

On December 26, 2003, the Company entered into a partially Coinsurance and a partially Modified Coinsurance Agreement (CoModco Agreement) with Guaranty Income Life Insurance Company (Guaranty) effective September 30, 2003. The Company had reinsured 100% of certain blocks of Guaranty's traditional life, universal life and annuity businesses. The total liabilities reinsured for these blocks of businesses on October 1, 2003 were $60,527,887. The Company paid a ceding commission to Guaranty of $3,400,000 and received from Guaranty a risk charge of 1% of the outstanding Coinsurance per calendar quarter. Guaranty put into a bank trust investment grade bonds, which equaled the outstanding liabilities assumed by the Company. The Company was named as a beneficiary of the trust and the terms of the trust were such that Guaranty would maintain investment grade bonds in the trust to equal the outstanding liabilities assumed by the Company. Under the CoModco Agreement the Coinsurance and the increase in reserves are equal. Guaranty has the right to recapture the business at any time after December 31, 2004 upon 90 days advance notice. As of December 31, 2005 and 2004, the outstanding Coinsurance amount was $-0- and $2,545,763, respectively. The Company recorded as income the risk charge for the years ended December 31, 2005 and 2004, of $10,000 and $121,831, respectively. Effective January 1, 2005, Guaranty recaptured the reinsurance under this agreement and the agreement was cancelled between the Company and Guaranty.

As discussed above in the section Acquisitions, Mergers, Disposals, Dissolutions, and Purchases or Sales through Reinsurance - Memorial Insurance Company of America, Security National Life and Memorial Insurance Company entered into a reinsurance agreement to reinsure the majority of the in force business of Memorial

Insurance Company to Security National Life, as reinsurer, to the extent permitted by the Arkansas Insurance Department.

Ceded

As discussed above in the section Acquisitions, Mergers, Disposals, Dissolutions, and Purchases or Sales through Reinsurance - Memorial Insurance Company of America,on December 31, 2005, Memorial Insurance Company entered into a reinsurance agreement with Security National Life for certain accident and health insurance policies of Security National Life.

The Company did not cede any of the risk written under the funeral plan policies. Two automatic treaties covering life cessions provided the primary reinsurance for new policy issues. The treaties were with Transamerica Occidental Life Insurance Company and Cigna Re Corporation (formerly Connecticut General Life Insurance Company). These treaties provided for a retention of $45,000 per life with a corridor of an additional $5,000; $25,000 net retention for accident insurance.

The Company has several treaties with small amounts of business in force and nominal amounts of reserve credits as of the examination date. These treaties are substantially in a run-off mode from treaties acquired in mergers.

ACCOUNTS AND RECORDS

The Company's computer systems operate on mid range and server based hardware. The policy and claims administration, billing and accounts payable are commercial applications that have been modified internally. The general ledger is a commercial application. All systems are fully integrated. All major accounting records are maintained electronically. General ledgers, subsidiary ledgers and journals are not maintained in hard copy form. Trial balances and summary reports are extracted from the general ledger.

An examination trial balance, as of December 31, 2005, was prepared from the Company's electronic trial balance sheet. Account balances were traced to annual statement exhibits and schedules without exception. Individual account balances for the examination period were examined as deemed necessary. Accounts and records deficiencies or concerns identified in the examination included the following:

During the period of examination, in 2005, the Company ceased its independent auditor relationship with Tanner & Company, LLC. The cessation of the Company's relationship with Tanner was due to the five-year partner rotation requirement mandated by the Sarbanes-Oxley Act and the determination by Tanner that in the future it would be unable to maintain the necessary industry expertise to continue as independent auditors for the Company. The independent auditor, beginning with the year 2005, is the firm of Larson and Company. The 2005 audit report along with the complete set of work papers were made available for the examiner's use.

The Company is not in compliance with the requirements of Utah Code Annotated (U.C.A.) Title 67, Chapter 04a, Unclaimed Property Act and the provisions of SSAP 67. The Company must transfer funds to various states that come from transactions such as death benefits, premium refunds, dividends, vendor payments, and agent commissions, disbursements where the checks have not been presented for payment and are considered escheatable funds. The Company has not added to the escheat funds account for 2005. This is attributed to the fact that the person who had responsibility over these transactions left employment of the company last year. Consequently, there are many checks on the outstanding check register that have not transferred to the escheat account, and there are items in the escheat account that should be remitted to the respective states.

The Company did not pay the amount payable for some of the examination costs described under U.C.A. § 31A-2-205(1) within the time prescribed pursuant to U.C.A. § 31A-2-205(5) (a).

FINANCIAL STATEMENTS

The following financial statements were prepared from the Company's accounting records and the valuations and determination made during the examination:

Balance Sheet as of December 31, 2005
Summary of Operations for the Year Ended December 31, 2005
Reconciliation of Capital and Surplus – 1992 through 2005

The accompanying notes to financial statements are an integral part of these statements.

SECURITY NATIONAL LIFE INSURANCE COMPANY
BALANCE SHEET
as of December 31, 2005

ASSETS	Net Admitted Assets
Bonds	$71,091,327
Preferred stocks	65,681
Common stocks	10,080,889
First Liens	70,685,921
Real estate - Properties occupied by the company	5,556,682
Properties Held for the Production of Income	6,208,093
Cash and short-term investments	63,215,007
Contract Loans	9,240,853
Other Invested Assets	889,361
Subtotal Cash and Invested Assets	237,033,813
Investment income due and accrued	2,291,570
Uncollected premiums and agents' balances	594,918
Deferred premiums	3,605,777
Other Amounts Receivable under Reinsurance Contracts	10,000
Net Deferred Tax Asset	1,350,900
Electronic data processing equipment & software	167,141
Receivable from parent, subsidiaries & affiliates	32,210,877
Write-Ins for other than Invested Assets	53,526
Total assets	$277,318,522

SECURITY NATIONAL LIFE INSURANCE COMPANY
BALANCE SHEET
as of December 31, 2005

LIABILITIES

Aggregate reserve for life contracts	$248,531,720
Aggregate reserve for accident and health contracts	340,634
Liability for deposit type contracts	3,912,742
Contract claims – Life	2,463,705
Contract claims - Accident and health	5,000
Dividends apportioned for payment	81,414
Dividends not yet apportioned	483,022
Premiums and annuity considerations received in advance	642,205
Interest Maintenance Reserve	344,488
General expenses due and accrued	429,389
Taxes, licenses and fees due or accrued	228,336
Current federal and foreign income taxes	12,271
Unearned Investment Income	418,910
Amounts withheld or retained as agent or trustee	244,216
Amounts held for agents' account	404,423
Remittances and items not allocated	415,227
Asset Valuation Reserve	2,407,813
Aggregate write-ins for liabilities	1,014,321
Total liabilities	$ 262,379,837

CAPITAL AND SURPLUS

Common Capital Stock	$2,550,000
Surplus notes	7,400,000
Gross paid-in and contributed surplus	4,922,696
Unassigned funds (surplus)	65,989
Total capital and surplus	14,938,685
Total liabilities, capital and surplus	$277,318,522

SECURITY NATIONAL LIFE INSURANCE COMPANY
SUMMARY OF OPERATIONS
for the Year Ended December 31, 2005

Premium & annuity considerations	$27,609,637
Net investment income	11,819,528
Amortization of IMR	59,692
Charges and fees for deposit type contracts	133,353
Write-ins for miscellaneous income	75,919,118
Total income	$115,541,329
Death benefits	$12,055,814
Matured endowments	92,305
Annuity benefits	3,199,184
Disability benefits & benefits under A&H contracts	46,675
Coupon guarantees, annual pure endowments	617
Surrender benefits & withdrawals	3,498,423
Interest on contracts or deposit-type contract funds	440,066
Increase in reserve for life & A&H policies & contracts	74,838,518
Total Benefits	$94,171,602
Commissions on premiums & annuity considerations	$5,728,816
Commissions & expense allowances on reinsurance assumed	3,448,235
General insurance expenses	7,039,322
Insurance, taxes, licenses & fees, excluding FIT	952,386
Increase in loading on deferred & uncollected premiums	1,478,964
Aggregate write-ins for deductions	1,618,443
Total Benefits, commissions & expenses	$114,437,768
Net gain from operations before dividends to p/h & fed inc tax	$1,103,561
Dividends to policyholders	15,886
Net gain from operations after dividends to p/h FIT before realized G/L	$1,087,675
Net realized capital Gains/Losses excluding G/L IMR ls cap gn tax	117,993
Net income	$1,205,668

SECURITY NATIONAL LIFE INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS
2002 through 2005

	2002	2003	2004	Per Exam 2005
Capital and surplus, December 31, previous year	$16,316,605	$14,381,257	$15,069,057	$15,183,712
Net income	1,547,253	(5,404,687)	65,724	1,205,668
Change in net unrealized capital gains (losses)	37,313	3,025,969	(615,711)	(259,717)
Change in net deferred income tax - Current year	682,720	0	245,410	33,662
Change in non-admitted assets	(1,386,819)	4,602,708	3,319	(800,320)
Change in asset valuation reserve	(435,677)	(108,481)	415,913	(424,321)
Change in surplus notes - Current year	0	4,400,000	0	0
Cumulative effect of change in acct principles - Current year	0	(133,087)	0	0
Dividends to stockholders - Current year	(2,381,687)	(1,150,000)	0	0
Write-ins for gains & losses in surplus - Current year	1,547	(4,544,622)	0	0
Net change in capital and surplus for the year	(1,935,350)	687,800	114,655	(245,027)
Capital and surplus end of reporting year	$14,381,256	$15,069,057	$15,183,712	$14,938,685

* Per the regulatory financial statements filed with the Utah Insurance Department.

NOTES TO FINANCIAL STATEMENTS

No adverse findings, material changes in the financial statements, or other significant regulatory information were disclosed by the examination.

The Company's minimum capital requirement was $400,000 as defined in U.C.A. § 31A-5-211. As defined by U.C.A. § 31A-17 Part 6, the Company had total adjusted capital of $18,898,306, which exceeded the company action level risk-based capital (RBC) requirement of $3,633,539 by $14,943,206.

SUMMARY OF EXAMINATION FINDINGS

Items of significance commented on in this report are summarized below:

1. The Articles of Incorporation were erroneously amended in 2004 to change the par value of both the common and preferred stock to $200 per share. The Articles of Incorporation were amended to change the par value of both common and preferred stock to correct the error. (Capital Stock)

2. Security National Life anticipates that Southern Security Life will either be sold to an unrelated business entity or merged with Security National Life during fiscal 2006. The Company expects the sale or merger to be completed prior to December 31, 2006. (Acquisitions, Mergers, Disposals, Dissolutions, and Purchases or Sales through Reinsurance)

3. During the period of examination, in 2005, the Company ceased its independent auditor relationship with Tanner & Company, LLC. The independent auditor, beginning with the year 2005, is the firm of Larson and Company. (Accounts and Records)

4. The Company is not in compliance with the requirements of Utah Code Annotated ("U.C.A.") Title 67, Chapter 04a, Unclaimed Property Act and the provisions of SSAP 67. (Accounts and Records)

5. Some payments for the examination costs described under U.C.A. § 31A-2-205(1) were not paid the amount payable for within the time prescribed pursuant to U.C.A. § 31A-2-205(5) (a). (Accounts and Records)

CONCLUSION

The assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Company are acknowledged. RSM McGladrey employees Margaret Spencer CFE, Managing Director; Jan Moenck CFE, Director; Daniel Callahan, Supervisor; Susan Carroll, Senior Associate; Peter Storms CFE, Manager; Annette Knief, Director; participated in the examination and Department employee, Colette Reddoor, CFE, Assistant Chief Examiner supervised the examination. In addition to the undersigned, Mr. Val Smith, FSA, of the actuarial firm of Taylor-Walker & Associates, Inc. conducted the actuarial phases of the examination.

Respectfully Submitted,

Leman McLean

Leman D. McLean, CFE
Representing the Utah Insurance Department